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Written Testimony of Christopher Phelps, Program Director  
Before the Connecticut General Assembly Energy and Technology Committee

Tuesday, March 15, 2011

Written testimony supporting Senate Bill 1, An Act Concerning Connecticut's Energy  
Future

Senator Fonfara, Representative Nardello, Senator Witkos, Representative Hoydick, and  
members of the Committee:

Thank you for the opportunity to offer this testimony supporting SB 1. Environment  
Connecticut is a member-supported non-profit environmental advocacy organization.  
One of our top priority advocacy areas is for policies to break our dependence on oil and  
other increasingly expensive, polluting, dangerous fuels in favor of clean, renewable,  
homegrown energy sources. SB 1 lays out a framework to move our state towards a  
clean, affordable, and secure energy future.

Connecticut and our nation are faced with serious, interrelated energy and environmental  
challenges. Economically, our dependence on increasingly scarce, unreliable and  
unaffordable energy sources such as oil, gas, coal and nuclear undermines job growth and  
prosperity. At the same time, these same energy sources threaten public health and  
quality of life by producing enormous amounts of toxic and global warming pollution.  
Transitioning off of these unsustainable 19<sup>th</sup> and 20<sup>th</sup> century energy sources in favor of  
homegrown, sustainable, and renewable energy sources is an urgent environmental,  
health, and economic task for our state and nation.

We commend the committee for drafting in SB 1 a bill which contains many provisions  
to move our state towards that sustainable 21<sup>st</sup> century energy future. This bill begins by  
embarking on the reorganization of Connecticut's alphabet soup of agencies, boards, and  
quasi-public entities involved in energy policy. Bringing these entities together under a  
unified Department of Energy and Environmental Protection is an overdue step towards  
crafting a coherent and effective policy to move our state towards a cleaner, more  
affordable energy future.

We also support many of the provisions in the bill that would jump start Connecticut's  
commitment to moving towards renewable energy sources such as wind and solar power.  
This important step cannot wait another year. As just one example in 2008 Connecticut  
ranked 8<sup>th</sup> in the nation for solar power installations. By 2010, in just a two year span of  
time, our state had fallen to 18<sup>th</sup>. The bad news is that we are losing the race to build a

21<sup>st</sup> century clean energy economy in Connecticut. The good news is SB 1 has the potential to get us back on track.

In addition to the focus on reinvigorating renewable energy generation in Connecticut, SB 1's emphasis on energy efficiency technologies can continue our leadership in this area. While our state has some of the highest electric rates in the nation, our energy efficiency policies have reduced the impact of those high costs by helping families and businesses cut their consumption and dramatically reduce their energy bills. Still, we can do much better and this bill contains a number of provisions that can reduce energy waste in Connecticut.

That said, there are also some provisions in SB 1 that concern us and would carry the risk of severely undermining the goals of the bill. Notably, Section 8 of the bill, by allowing large existing hydropower to qualify for Class I Renewable Portfolio Standard credit could eviscerate this core renewable energy policy. Additionally, the solar provisions in sections 56-63, while largely similar to those passed in 2010, have been changed (in sec. 69) in a way that could cause its cost-cap provisions to be exceeded and result in little or no new solar power generation built in Connecticut.

We respectfully offer the following brief comments and suggestions regarding specific topics/sections of SB 1:

Renewable Energy:

**Section 8:** Beginning at line 626, this provision modifies the definition of "Class I renewable energy source" for compliance with the renewable electricity standard (RES) within the Connecticut Renewable Portfolio Standard. The change allows unrestricted use of hydropower generation to meet the Class I standard. This would include large, existing hydropower generation such as Hydro Quebec.

RES policies are designed to create incentives for development of new renewable electric generation. In Connecticut, the policy requires utilities to gradually increase the percentage of our electric use that is met by such sources to meet a target of 20% by 2020. The key element of such policies are that they create market incentives for building *new* renewables and *not* provide subsidies for existing sources that are already cost effective. Large hydropower generation, such as Hydro Quebec, simply does not need incentives to be financially viable. Adding such resources to the Class I standard would have the likely effect of "crowding out" new renewable generation from wind, solar, and other sources, undermining the goals of the RPS.

Environment Connecticut urges the committee to work with interested stakeholders to modify this proposal to ensure the policy goals and integrity of the Connecticut RPS is maintained.

**Section 51:** Environment Connecticut supports the establishment of so-called Property Assessed Clean Energy financing program as this provision would do. Such financing programs can help homeowners and small businesses overcome cost barriers to making capital investments in large-scale efficiency retrofits and distributed renewable generation such as solar power.

**Sections 56 – 63:** As the committee knows, these and similar solar power provisions have been supported by our organization over the past three years. Taken together, these sections create a suite of market-based incentives tailored to the somewhat, unique characteristics of the solar industry, with a goal of building approximately 300 megawatts of solar generation capacity statewide over the next decade.

The solar policies comprise four main parts. First is a reforming of the Clean Energy Fund's residential solar incentive program to ensure it maintains stable funding and establishes a gradual phase-down of subsidies while building 30 megawatts of new residential solar systems.

The second piece of the solar policy is creation of a market-based solar renewable energy credit (SREC) program. This policy, modeled on successful policies in states such as New Jersey and Colorado, requires utilities to procure solar energy credits from large commercial-scale solar power systems built in Connecticut over the next decade. By entering into long-term (15 year or more) contracts, the costs associated with this procurement would be spread over an approximately 25 year period, reducing ratepayer impacts.

The third solar policy element is a three year pilot of a feed-in-tariff supporting development of 50 megawatts of large grid-connected solar systems. Of this amount, one third could be built by the electric distribution companies and the remainder by private developers.

Finally, there are two separate cost-containment provisions that are designed to ensure these solar power policies are achieved at minimal cost-impact to electric ratepayers. There is an overall annual cost-cap of no more than one percent (less in early years of the program) from all the solar provisions contained in the bill. In addition to this, the SREC program referenced above has a secondary safety-valve cost containment measure that limits the cost of SRECs procured by the utilities and requires that cost to decline at a 7% annual rate over the life of the program.

#### **Suggested Changes to Solar Provisions:**

A change to the solar language passed in 2010 has been made at line 4651 of the bill. It reduces the period during which the utilities are to procure the required number of long term SREC contracts from 10 years to 5. Unfortunately, the effect of this change is to compress the timeframe during which the cost of the SREC procurement would be paid for by ratepayers. As a result, it is likely that the

annual cost of the program would be increased and the rate cap would be exceeded. This would result in the program being suspended and little or no new solar generation being built in Connecticut. **Environment Connecticut urges the committee to delete “five-year” at line 4651 and 4691 and insert “ten-year” in its place.** This change will help ensure that the SREC program can be implemented within the constraints of the ratepayer cost cap contained in section 56.

At line 4634 of the bill, the cost of SRECs in the initial year of an SREC contract is limited to no more than “three hundred fifty dollars per megawatt hour.” This language is in direct conflict with the annually declining safety-valve maximum SREC price established at line 4753 of the bill. **Environment Connecticut recommends that the committee to delete the sentence “An electric distribution company shall not be required to enter into a contract that provides a payment of more than three hundred fifty dollars per megawatt hour in the initial year of the contract” beginning at line 4632.**

Section 61 of the bill establishes the pilot solar feed-in-tariff program referenced above. We note that section 89 of the bill (see below) proposes to establish a feed-in-tariff policy for multiple renewable energy resources. We support that proposal and believe that it would be more efficient to eliminate the solar-specific feed-in-tariff and incorporate a solar tariff into the proposed program established in section 89. **Environment Connecticut recommends deletion of Section 61 and inclusion of solar in Section 89 of the bill.** (We note for the committee that previous analysis of the ratepayer impact of the various solar provisions in the 2010 legislation showed that the feed-in-tariff had the highest potential cost-per-megawatt. Therefore, removing this section would reduce the total cost of the solar provisions.)

**Section 83:** This section creates a very limited pilot “virtual” or “neighborhood” net metering program. As we have testified previously, we strongly support such programs as a way of expanding access to local renewable electric generation for homeowners and businesses. We are concerned that the proposal in SB 1 is so limited as to provide minimal benefit or EDC experience with such systems and we are interested in working with the committee to craft a more expanded pilot proposal.

**Section 89:** This section directs the DEEP to establish feed-in-tariffs for renewable generation. Although the language of this section appears to be a work in progress we support the goals of this policy to incentivize new renewable generation development in Connecticut. One suggestion we would make is that the language be clarified to state that the eligible generation technologies be limited to **new Class I resources built after the effective date of the section.**

Energy Efficiency:

**Section 74:** We support this language clarifying that municipalities can enter into performance based contracts for energy services. We also wish to direct the committee's attention to our previous testimony supporting a more comprehensive performance based energy contracting program proposed in HB 6544.

**Section 86:** This section creates an office to assist businesses with efforts to make use of various energy efficiency programs to cut their energy use and costs. We support this provision as exactly the sort of "one stop shop" for energy efficiency and renewable energy support that ought to be part of the mission of the newly formed Department of Energy & Environment. However, we also would like to suggest that there is no reason to limit this function simply to serving businesses. Homeowners, renters and residential landlords would also benefit tremendously from such a program. **We recommend expanding this section to provide assistance to both businesses and residential energy consumers.**

**Section 88:** This section proposes an analysis of the effectiveness of the Class III efficiency resource tier of the RPS. As we have testified previously, we recommend that the legislature reform the Class III program to provide for greater energy efficiency incentives and to reduce the potential for "gaming" of the program. (See our testimony on SB 1081.)

**Section 93:** We strongly support this provision establishing "innovation hubs" in partnership with educational institutions. This could provide a framework for bringing together the multiple goals of driving worker training, job creation, and expansion of clean energy technologies. The specified electric vehicle infrastructure idea is a perfect example as it represents one of the most significant emerging technologies for transforming the way we use energy for transportation.

#### Creation of a Department of Energy & Environmental Protection:

Environment Connecticut strongly supports creation of this new agency. The intersection of energy and environmental policy intersects with core public policy challenges facing our state. This combined agency can be well situated to meet the challenge of fostering the transition to a clean, renewable energy economy in Connecticut.

There are a number of important details involved in the creation of this new agency that do need to be worked out by the legislature and administration. For instance, we think the role of the PUCA within the new agency needs careful scrutiny to ensure that its regulatory and adjudicatory functions are maintained. Similarly, we think incorporating the CT Energy Efficiency Fund and CT Clean Energy Fund programs within the DEEP is a good idea that can improve the effectiveness of the fund's programs. We also believe this would be a good opportunity to ensure clear separation between the electric distribution companies' roles as administrators of the Efficiency Fund programs and the

function of the board overseeing the programs. Similarly, we fully support establishing the DEEP as the lead entity responsible for energy planning and development of the state's Integrated Resource Plan.

In conclusion, Environment Connecticut strongly supports the goals of SB 1. This bill has the potential to make Connecticut a leader in our nation's transition to a clean, renewable, efficient and secure energy economy for the 21<sup>st</sup> century. The programs established by this legislation have the potential to strengthen our economy by creating jobs and controlling energy costs, and improve the quality of life for our families by reducing dangerous pollution that threatens our health and fuels global warming.

On behalf of Environment Connecticut's statewide membership, thank you for the opportunity to offer these comments supporting SB 1, AAC Connecticut's Energy Future.

Sincerely,

Christopher Phelps  
Program Director  
Environment Connecticut